NationGate Holdings (NATGATE MK)

Springboarding From An Uneventful 2025 To A Firmer 2026

BUY (Maintained)	
Share Price	RM1.14
Target Price	RM1.28
Upside	12.3%

Analyst(s)
Desmond Chong
desmondchong@uobkayhian.com
+603 2147 1980

Ku Wei Xiang
weixiang@uobkayhian.com
+603 2147 1916

Highlights

- Following an uneventful 2025 that resulted in a valuation reset, NationGate is better positioned for more stable earnings delivery from 2026 onwards.
- While 1H26 is likely to remain a gestation phase amid volatile currency translation and limited revenue catalysts, 2H26 could see improved earnings traction on new customer onboarding in the networking segment.
- Risk-reward is turning favourable, with valuations near cycle lows and most 2025 overhangs behind, supported by the crystallisation of plus-one relocation opportunities in higher-margin segments in 2H26.
- Maintain BUY. Target price: RM1.28.

Analysis

- **Springboarding from an uneventful 2025; better risk reward in 2026.** After an uneventful 2025, we believe NationGate Holdings (NationGate) now offers a more attractive risk-reward into 2026. Recall that the stock de-rated sharply in 1H25, falling from RM2.95 in early-Jan 25 (49x 2025F PE) to RM1.02 in mid-Apr 25 (17x 2025F PE) on Trump-driven tariff concerns. The lack of earnings catalysts in 2H25 coupled with regulatory overhang led to further weakness, with the share price sliding from RM1.78 in early-Jul 25 (31x mid-25/26 PE) to RM0.89 by end-Dec 25 (17x 2026F PE) amid ROI-driven fund outflows. At the forward valuation of 21x 2026F PE (15% below consensus forecast), we believe downside risks are better contained, while upside will hinge on improvement in operational execution on less-volatile segments ie networking and ongoing CPU demand from its data computing customers.
- **Networking as the key growth catalyst in 2026.** After a muted year in 2025, the networking segment returns as a core strategic pillar for the group, anchored by both the existing main customer and two newly secured customers. While the near-term product mix for the first main customer remains skewed towards 100G optical transceivers (on lower profitability), the ongoing China-plus-one relocation trend is expected to gradually support a transition towards higher-margin 400G-800G products. More importantly, the group has secured two new US-based networking customers, with pilot production expected to commence after 2H26, focusing immediately on 400G and above products which command higher margins. These new customers could potentially generate larger revenue contributions than customer C over time with a targeted US$40m capex.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	638.3	5270.8	7403.5	7381.5	4763.2
EBITDA	116.1	286.9	254.5	234.3	279.5
Operating profit	78.0	237.3	202.8	180.8	226.5
Net profit (rep./act.)	60.8	160.2	137.1	121.6	154.1
Net profit (adj.)	64.5	121.4	137.1	121.6	154.1
EPS	3.1	5.3	6.0	5.3	6.8
PE	36.6	21.4	18.9	21.3	16.8
P/B	4.3	2.5	2.2	2.1	1.9
EV/EBITDA	22.6	5.7	12.5	13.5	9.2
Dividend yield	0.9	1.8	1.3	1.2	1.5
Net margin	10.1	2.3	1.9	1.6	3.2
Net debt/(cash) to equity	9.6	(98.5)	55.8	50.8	(1.0)
Interest cover	(10.4)	(35.9)	(21.2)	(19.1)	(24.1)
ROE	11.1	15.2	13.3	10.8	12.4
Consensus net profit			145.6	143.0	160.3
UOBKH/Consensus (x)			0.94	0.85	0.96

Source: NationGate, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Electrical Components
Bloomberg ticker:	NATGATE MK
Shares issued (m):	2,262.6
Market cap (RMm):	2,579.4
Market cap (US$m):	650.0
3-mth avg daily t'over (US$m):	2.7

Price Performance (%)

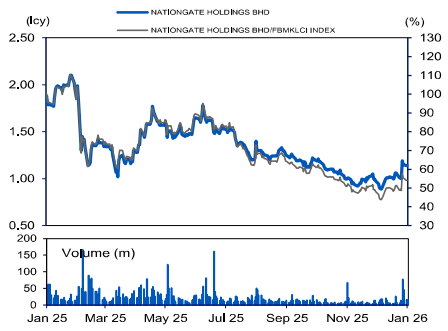
52-week high/low: RM2.19/RM0.845

1mth	3mth	6mth	1yr	YTD
16.9	(5.8)	(25.5)	(47.7)	28.1

Major Shareholders

	%
Ooi Eng Leong	48.6
Geok Tan Ah	6.5
Amanah Saham Nasional Bhd	5.5

Price Chart



Source: Bloomberg

COMPANY DESCRIPTION

NationGate Holdings focuses on the assembly and testing of: a) electronic components and products producing completed PCBs, semi-finished sub-assemblies and fully assembled electronics products; and b) semiconductor devices.

- **Industrial and automotive segments provide earnings defensiveness.** The industrial segment continues to act as a stabilising earnings pillar, supported by the onboarding of a new customer specialising in power management and power storage applications. These end-markets are typically less cyclical, characterised by longer product life cycles and more predictable demand, which helps cushion earnings volatility. Meanwhile, the automotive segment is gradually scaling following the acquisition of Valeo Malaysia, expanding the group's exposure to European OEMs as well as customers in Korea, Japan and the US. While near-term earnings contribution remains modest, management views automotive as a strategic long-term growth pillar.
- **Expect a sequentially flattish 4Q25.** NationGate (Natgate) is scheduled to release its 4Q25 results tentatively on 25 Feb 26. We expect revenue to improve qoq, driven primarily by a ramp-up in CPU shipments alongside stable contributions from its traditional businesses. That said, earnings are likely to remain broadly flattish, as GPU shipments remain negligible and the overall margin mix continues to be skewed towards lower-margin CPU. Meanwhile, adverse currency could partially pressure margins. On the GPU front, contribution has yet to meaningfully commence amid policy uncertainty and subdued data centre demand across Asia-Pacific ex-China. In contrast, CPU momentum has been more visible during the quarter. On a positive note, management indicated that R&D for the new B-series GPU platform is already completed, positioning the group to respond swiftly once demand conditions improve.
- **CPU and GPU businesses remain structurally challenged in the near term.** NationGate's compute-related businesses continue to operate in a challenging environment. The CPU segment remains volume-driven but intensely competitive, with pricing pressure constraining margin expansion, particularly as Chinese manufacturers possess comparable manufacturing capabilities. On the GPU front, demand remains subdued, especially across Asia ex-China, reflecting cautious data centre expansion amid policy-related uncertainties. While H200 GPUs have become accessible to the China market, margins remain unattractive and offer limited earnings leverage due to heightened competition from domestic Chinese players.
- **Geopolitical tensions spur reshoring momentum.** In the wake of geopolitical tensions, management shared that trade diversion activities are still accelerating, with Malaysia still gaining ground over regional peers on its ecosystem competitiveness. NationGate's strategic approach of maintaining 30% vacant floorspace continues to unlock capacity-driven opportunities — not only in telecommunications, but also in the consumer electronics and data computing segments. The group is currently engaged in active discussions with multiple prospects at varying valuation stages, which we believe could partially materialise in 2H26.

Factory Facilities

Source: NationGate

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM1.28,** still based on an unchanged 24x 2026F PE. This is based on average blended 50:50 PE, referencing the average seven-year mean forward PE of electronic manufacturing services and outsourced semiconductor assembly and test. Meanwhile, our rolled-over target price for 2027 stands at RM1.63.

Earnings Revision/Risk

- While we make no changes to our 2025-26 forecasts, we raised our 2027 earnings estimates by 35% to account for higher orders ramp-up from the networking segment.

Environmental, Social, Governance (ESG) Updates

Environmental

- In 2022, the group installed solar panels at Plant 5's rooftop and built green wall planters within its premises.

Social

- As of 2022, the Board comprised two female directors out of six directors (33% of directors).

Governance

- The company has an Anti-Corruption and Bribery Policy in place which complies with all applicable laws, including the MACC Act 2009 (Amendment 2018). There were no reported incidents of corruption or breaches against policy in 2022.

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**5,271**	**7,403**	**7,382**	**4,763**
EBITDA	287	254	234	280
Deprec. & amort.	50	52	54	53
EBIT	237	203	181	226
Associate contributions	0	0	0	0
Net interest income/(expense)	-7	-10	-9	-9
Pre-tax profit	**231**	**193**	**171**	**217**
Tax	-51	-46	-41	-52
Minorities	19	10	9	11
Net profit	**160**	**137**	**122**	**154**
Net profit (adj.)	**121**	**137**	**122**	**154**

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	332	360	357	353
Other LT assets	22	22	22	22
Cash/ST investment	1,928	346	341	913
Other current assets	1,446	2,054	2,142	1,414
Total assets	**3,727**	**2,781**	**2,861**	**2,702**
ST debt	961	921	911	901
Other current liabilities	1,774	791	791	524
LT debt	0	0	0	0
Other LT liabilities	11	0	0	0
Shareholders' equity	1,052	1,155	1,246	1,362
Minority interest	24	10	9	11
Total liabilities & equity	**3,727**	**2,781**	**2,861**	**2,703**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	735	-1,428	86	670
Pre-tax profit	231	193	171	217
Tax	-51	-46	-41	-52
Deprec. & amort.	50	52	54	53
Associates	0	0	0	0
Working capital changes	468	-1,584	-56	494
Other operating cashflows	32	-32	-32	-32
Investing	-109	-80	-50	-50
Capex (growth)	-139	-80	-50	-50
Investments	0	0	0	0
Proceeds from Sale of Asset	0	0	0	0
Others	29	0	0	0
Financing	**1,236**	**-74**	**-40**	**-49**
Dividend payments	-36	-24	-34	-30
Issue of Shares	398	0	0	0
Proceeds from borrowings	875	0	0	0
Loan repayment	-20	-40	-10	-10
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	**1,862**	**-1,582**	**-4**	**571**
Beginning cash & cash equivalent	**66**	**1,928**	**346**	**341**
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	**1,928**	**346**	**341**	**913**

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	5.4	3.4	3.2	5.9
Pre-tax margin	4.4	2.6	2.3	4.6
Net margin	2.3	1.9	1.6	3.2
ROA	4.3	4.9	4.2	5.7
ROE	15.2	13.3	10.8	12.4
Growth				
Turnover	725.8	40.5	-0.3	-35.5
EBITDA	147.0	-11.3	-7.9	19.3
Pre-tax profit	227.1	-16.3	-11.3	26.7
Net profit	163.4	-14.4	-11.3	26.7
Net profit (adj.)	88.2	12.9	-11.3	26.7
EPS	5.4	3.4	3.2	5.9
Leverage				
Debt to total capital	26.8	34.5	33.2	34.7
Debt to equity	105.9	92.9	84.6	75.7
Net debt/(cash) to equity	-98.5	55.8	50.8	-1.0
Interest cover	-35.9	-21.2	-19.1	-24.1

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